

## ***State Controller's Audit—Findings and Recommendations***

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## ***Why a State Controller's Office (SCO) Audit?***

### ***SCO Audit – Finding #1***

- K-12 school districts collectively understated pre- and post-AB 1290 pass-through payments by \$105 million for fiscal year 2005-06.

### ***SCO Audit – Finding #2***

- Community colleges currently have no means to separately identify pass-through payments in their reports to the Chancellor's Office.

### ***SCO Audit – Finding #3***

- Some RDA's in Los Angeles County have failed to make AB 1290 pass-through payments to affected taxing entities, including schools.

### ***SCO Audit – Finding #4***

- RDA's in counties other than Los Angeles also failed to make AB 1290 pass-through payments.

### ***SCO Audit – Finding #5***

- RDA's made numerous reporting errors when submitting financial transaction and fiscal data to the State Controller.

### ***SCO Audit – Recommendation #1***

- Recoup state over-payments to schools tied to school underreporting of AB 1290 pass-through payments.

## ***SCO Audit – Recommendation #2***

### **Legislative Actions:**

- Set deadline for RDA's to make overdue AB 1290 pass-through payments to affected tax entities.

## ***SCO Audit – Recommendation #2***

### **Legislative Actions:**

- Require RDA's to provide specified information with all pass-through payments made (project area(s), governing statute, applicable fiscal year(s))

## ***SCO Audit – Recommendation #2***

### **Legislative Actions:**

- Enact legislation to ensure clarifying/prescribing state requirements for RDA pass-through payments to promote uniformity and consistency of calculations.

## ***SCO Audit – Recommendation #3***

### **CDE/Chancellor's Office Actions:**

- CDE modify SACS reporting forms so that deposited RDA pass-through payments are easily identifiable.
- Chancellor's office modify community college reporting forms so that deposited RDA pass-through payments are easily identifiable.

## ***SCO Audit – Recommendation #4***

### **SCO Actions:**

- Review, revise and communicate procedures governing RDA submission of data for inclusion in Controller's annual report.

## ***SCO Audit – Recommendation #4***

### **SCO Actions:**

- Incorporate pass-through fund audit procedures in SCO's annual report—  
*“Guidelines for Audit of Redevelopment Agencies.”*

## ***SCO Audit – Recommendation #4***

### **SCO Actions:**

- Conduct quality control reviews to ensure independent audits meet state audit requirements and to compare RDA payment data with RDA financial statements.

## ***SCO Audit – Observation #1***

- RDA's not complying with court verdict upholding automatic 2% pass-through payments to schools [*Santa Ana USD v Orange County Development Agency (2001) 90 Cal. App. 4<sup>th</sup> 404*]

## ***SCO Audit – Observation #2***

- RDA projects have obligations that exceed projected revenue sources, creating significant potential fiscal liability for the localities.

## ***SCO Audit – Observation #3***

- Lack of statutory requirement for prompt pass-through payment results in excessive delays in RDA payments to local entities.